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FISCAL IMPACT STATEMENT

LS 7680

BILL NUMBER: HB 1557

NOTE PREPARED: Jan 7, 2003

BILL AMENDED:

SUBJECT: Universal Telecommunications Service.

FIRST AUTHOR: Rep. Liggett

FIRST SPONSOR:

BILL STATUS: As Introduced

FUNDS AFFECTED: **GENERAL**
 X DEDICATED
 FEDERAL

IMPACT: State

Summary of Legislation: This bill requires the Indiana Utility Regulatory Commission (IURC) to adopt rules to preserve and expand universal telecommunications service throughout Indiana. The bill provides that the rules adopted must: (1) designate certain telecommunications services as universal services that should be available in all regions at just, reasonable, and comparable rates; (2) identify certain geographic areas as underserved areas; and (3) be consistent with federal universal service regulations.

The bill establishes a Telecommunications Universal Service Fund to provide financial assistance to telecommunications providers providing universal service to underserved areas.

Effective Date: July 1, 2003.

Explanation of State Expenditures: *IURC:* This bill will allow the IURC to develop rules related to establishing and expand universal telephone service in Indiana that is equitable and nondiscriminatory. Depending on the action of the Commission, the bill could have an administrative impact on the Commission. Any cost would presumably be covered using the Commission's existing staff and resources.

While the bill establishes the Telecommunications Universal Fund, it does not provide a funding mechanism.

Background on IURC and OUCC Funding: The operating budgets of the IURC and OUCC are funded by regulated utilities operating in Indiana. The IURC determines the rate at which to bill the utilities based on the two agencies' budgets, less reversions, divided by the total amount of gross intra-state operating revenue received by the regulated utilities for the previous fiscal year. Based on this formula, utilities are currently billed approximately 0.10% of their gross intra-state operating revenues to fund the IURC and OUCC. In

FY 2002, fees from the utilities and fines generated approximately \$9.5 M.

Background on the Federal Universal Service Fee (USF): Currently, a federal Universal Service Fee charge is assessed by the Federal Communications Commission (FCC) in order to: 1) promote telecommunication services to low-income consumers; 2) provide telephone service in high cost areas; 3) increase services in schools and libraries; and 4) help link health care providers in rural and urban areas. All telecommunications companies that provide service between states, including long distance companies, local phone companies, wireless companies, paging companies, and payphone providers are required to contribute to the fund based on a percentage of their interstate and international revenues. The current rate of contribution is approximately 7.3% of these revenues. The rate varies depending upon the projected needs of the fund. While companies can pass the cost of the contribution directly onto consumers, they are not mandated to do so.

Explanation of State Revenues:

Explanation of Local Expenditures:

Explanation of Local Revenues:

State Agencies Affected: Indiana Utility Regulatory Commission; Office of the Utility Consumer Counselor.

Local Agencies Affected: Local units of government; School corporations.

Information Sources: Federal Communications Commission

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